

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;  
Nora Mead Brownell, Joseph T. Kelliher,  
and Suede G. Kelly.

United Illuminating Company

Docket Nos. ER03-31-003 and  
ER03-31-004

ORDER GRANTING IN PART AND DENYING IN PART REHEARING AND  
ACCEPTING COMPLIANCE FILING SUBJECT TO CONDITION

(Issued April 1, 2004)

1. Cross-Sound Cable Company (CSC) has requested rehearing of the Commission's October 22, 2003 order issued in this proceeding on upgrades to the transmission system needed to interconnect CSC's new transmission line.<sup>1</sup> The Commission grants in part and denies in part rehearing of the October 22 Order, and accepts, subject to revision, United Illuminating Company's (UI) compliance filing to the October 22 Order. This order benefits the public by maintaining consistency in Commission policy for the New England region and by protecting the integrity of the New England Power Pool (NEPOOL) Open Access Transmission Tariff (OATT) provisions.

**I. Background**

2. This case involves an interconnection agreement (IA) between UI and CSC for the interconnection of CSC's high voltage direct current Cross Sound Cable System<sup>2</sup> with UI's 345 kV transmission facilities at New Haven, Connecticut. CSC interconnected to the NEPOOL transmission system by tapping into the existing 345kV transmission Line #387. This existing Line #387 connects UI's East Shore Substation with Northeast

---

<sup>1</sup> United Illuminating Company, 105 FERC ¶ 61,092 (2003) (October 22 Order).

<sup>2</sup> The Cross Sound Cable System is a submarine cable connection linking the New England Power Pool (NEPOOL) and New York Independent System Operator (NYISO) transmission systems.

Utilities Service Company's Scovill Rock Substation. In order to avoid significant impacts to the existing transmission system, upgrades to existing protection and control equipment for Line #387 were needed so that the system could handle both the existing Line #387 and the new CSC line tap.

3. UI proposed that CSC pay for all costs related to the interconnection.<sup>3</sup> In addition, UI proposed that CSC pay an Annual Facilities Charge (AFC) of approximately \$303,000 for operation and maintenance, property and gross earnings taxes for the facilities. UI and CSC disagreed on the methodology for calculating the AFC, and consented through section 6.2.2 of the IA to submit that issue to the Commission. The Commission accepted and suspended the IA, with modification, and established hearing and settlement judge procedures in its Initial Order.<sup>4</sup>

4. Applying our generator interconnection policy, we found in the Initial Order that the new protection, control, and monitoring equipment for Line #387 were network upgrades and were thus not eligible for direct assignment to CSC.

5. On January 10, 2003, UI filed a request for clarification of the Initial Order. It supplemented its request for clarification on May 8, 2003.<sup>5</sup> On January 9, 2003, UI also made a filing to comply with the Initial Order. In its request for clarification as supplemented, UI sought Commission direction on a cost recovery method for the upgrades. UI wanted the Commission to clarify that the network upgrades were PTF and that the NEPOOL OATT should govern their treatment. UI requested that the network upgrades be included in NEPOOL's Regional Network Service Rate (RNS Rate) under the NEPOOL OATT. UI claimed that if the costs of these upgrades were not included in

---

<sup>3</sup> At the time of the initial filing, it was not apparent whether the facilities had been classified as Pool Transmission Facilities (PTF). While the transmittal letter indicated that the facilities were classified as NEPOOL Transmission Facilities (transmittal at 2), Article 3.3 of the Interconnection Agreement indicated that NEPOOL had not yet made a determination, and the IA was filed under the UI Tariff. With UI's request for clarification, UI included documentation from NEPOOL dated May 20, 2002, showing that the facilities are PTF Facilities.

<sup>4</sup> United Illuminating Company, 101 FERC ¶ 61,281 (2002) (Initial Order).

<sup>5</sup> On September 23, 2003, UI and CSC jointly filed a request that the Commission promptly act to resolve this case.

the RNS Rate, UI would have to establish a separate transmission rate in order to recover them. UI further requested that the Commission specify that in accordance with section 3.3 of the IA, UI is not required to reimburse CSC for the cost of the facilities until the upgrades are operational and NEPOOL approves their recovery through the RNS Rate.

6. Although UI's pleading was titled as a request for clarification, the Commission treated it as a request for rehearing. On rehearing, in the October 22 Order, the Commission reversed the Initial Order, and found that under the NEPOOL OATT, the network upgrades were directly assignable to CSC. The upgrades are PTF, classified as Category C interconnection upgrades under Schedule 11 of the NEPOOL OATT. Thus, the costs should be directly assigned to CSC as the interconnection customer, in accordance with the OATT. However, the Commission further ordered the continuation of the hearing proceedings to resolve the calculation of the AFC.<sup>6</sup>

## **II. Discussion**

### **A. Procedural Matters**

7. On November 21, 2003, CSC requested rehearing of the October 22 Order. Also on this same date, UI submitted a compliance filing to comply with the October 22 Order. Notice of UI's compliance filing was published in the Federal Register,<sup>7</sup> with interventions, protests, and comments due on or before December 12, 2003. A protest was timely filed by CSC. On December 30, 2003, UI filed an answer to the CSC protest.

8. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,<sup>8</sup> the timely, unopposed motion to intervene serves to make the entity that filed it a party to this proceeding. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure<sup>9</sup> prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept UI's answer because it has provided information that assisted us in our decision-making process.

---

<sup>6</sup>October 22 Order, P 6.

<sup>7</sup> 68 Fed. Reg. 68,368 (2003).

<sup>8</sup>18 C.F.R. § 385.214 (2003).

<sup>9</sup>18 C.F.R. § 385.213(a)(2) (2003).

**B. Rehearing****1. Request for Rehearing of Initial Order****a. Argument**

9. CSC argues that the Commission erred in treating UI's request for clarification as a request for rehearing. CSC points out that no party requested rehearing of the Initial Order.<sup>10</sup> CSC goes on to explain that in treating the request for clarification as a request for rehearing, the Commission bound itself to the statutory provisions governing rehearing. CSC points out, however, that section 313 of the FPA requires that any person seeking rehearing must do so within 30 days of the date of issuance of the order, which would have been January 8, 2003. Since UI did not file its request until January 10, 2003, that request was not a valid request for rehearing. CSC states that the Commission has acknowledged repeatedly that it lacks authority to disregard the express terms of this statutory 30 day window for rehearing.

10. CSC acknowledges that in this regard, section 313(a) of the Federal Power Act provides "[u]ntil the record in a proceeding shall have been filed in a court of appeals,...the Commission may at any time, upon reasonable notice and in such a manner as it shall deem proper, modify or set aside, in whole or in part, any finding or order made or issued by it under the provisions of this act." However, CSC contends that there is a limitation on this provision, citing Pan American Petroleum Corp. v. FPC<sup>11</sup> for the proposition that the Commission can revise an order within the time when an aggrieved party could seek, but has not yet sought, judicial review. Since this was not the case, CSC contends that the Commission could not use section 313 of the FPA to reverse the Initial Order.

11. CSC further maintains that even if UI's request for clarification were a permissible request for rehearing, the request did not even bring up the issue of whether the network upgrades could be directly assigned under the NEPOOL Tariff. CSC claims that UI only

---

<sup>10</sup> October 22 Order at P1 n. 2.

<sup>11</sup> 322 F.2d 999, 1004 (D.C. Cir. 1963), cert denied, 375 U.S. 941 (1963).

requested clarification as to whether the network upgrades should be included in the NEPOOL RNS rate or whether UI would need to initiate a separate transmission rate for the network upgrades. CSC thus argues that the October 22 Order need not and should not have addressed whether to directly assign the costs of the facilities.

12. CSC explains that, moreover, the Commission did not issue a tolling order or take other action within 30 days of the request for rehearing, as required by section 313(a). The Commission's failure to act timely means, according to CSC, that the "request for rehearing" was denied by operation of law.

**b. Commission Decision**

13. The Commission agrees that since UI did not file its request for clarification of the Initial Order until after section 313(a)'s thirty-day statutory time limitation on requests for rehearing had expired, and the Commission cannot waive section 313(a), UI's filing was not properly treated as a timely request for rehearing.<sup>12</sup>

14. However, the Commission was not foreclosed from addressing recovery of the costs associated with the CSC interconnection. This is because the proceeding was still before the Commission, had been suspended, made effective subject to refund, and had been set for hearing and settlement judge procedures. Although UI discussed two options for recovering those costs, the Commission properly identified and adopted another. The Commission then remedied the error made in the Initial Order by finding that the subject costs should be directly assigned to CSC under section 11 of the NEPOOL OATT. Although the Commission did not specifically reference FPA section 206 in the October 22 Order in making these findings, the Commission's decision, in fact, encompassed all of the findings required by section 206. The Commission found that the rate established in the Initial Order was not, upon further consideration of the matter, a just and reasonable rate. It then identified the just and reasonable rate.

**2. Due Process**

**a. Argument**

---

<sup>12</sup> See *City of LeClare, Iowa*, 74 FERC ¶ 61,127 (1996); see also *Boston Gas Co. v. Federal Energy Regulatory Commission*, 575 F.2d 975 (D.C. Cir. 1978), "The Commission itself has consistently held that the 30 day time limit 'is a jurisdictional time limit which this Commission has no authority to extend.' (internal citations omitted)."

15. CSC maintains that the Commission reversed its decision in contravention of the Commission's pricing policy, without prior notice, and outside the confines of statutory limitations. Thus, the Commission has deprived CSC of a valuable property interest (its right to reimbursement for the network upgrades) without CSC's right to due process of law. CSC argues that even if the Commission still had jurisdiction in October, when it acted on the "rehearing," the Commission failed to provide the requisite "reasonable notice" that it was considering a reversal of its prior order, thereby denying parties the opportunity to brief the issues in the rehearing order. CSC argues that the parties had neither actual nor constructive notice that the Commission was considering reversing its prior decision.

**b. Commission Decision**

16. CSC's argument is without merit. The Commission initially determined that the upgrade costs at issue could not be directly assigned. On clarification, the Commission determined in the October 22 Order that pursuant to the NEPOOL tariff, these costs should have been directly assigned to CSC. In this order, the Commission has considered CSC's argument that the October 22 Order was incorrect. Consequently, CSC has had the opportunity to address the Commission's findings. Therefore, it cannot claim that it has been denied adequate notice of the Commission's decision and the opportunity to respond.

**3. Payment for Network Upgrades**

**a. Argument**

17. CSC claims that the October 22 Order was an improper deviation from the Commission's prior cost assignment policy. CSC argues that the Initial Order properly found that the costs of network upgrades could not be directly assigned to CSC. The Commission has consistently found that network upgrade facilities serve a system-wide function and provide system-wide benefits and therefore, these costs must be treated as grid-related costs rather than as interconnection costs that are directly assignable.<sup>13</sup>

---

<sup>13</sup> CSC cites Western Massachusetts Electric Company, 77 FERC ¶ 61,268 at 62,119 (1996); Entergy Gulf States, Inc., 99 FERC ¶ 61,095 at 61,399 (2002), and Southern Company Services, Inc., 105 FERC ¶ 61,055 at P 6 (2003).

18. CSC protests that the Commission failed to provide non-arbitrary reasons for this departure from Commission policy in its rehearing order and reversed itself without reasoned explanation.

**b. Commission Decision**

19. UI pointed out that if the CSC costs cannot be recovered through the RNS Rate, UI would have to establish a separate transmission rate in order to recover those costs. The Commission correctly found in the October 22 Order that under the NEPOOL tariff, the CSC interconnection is a Category C Project, and as such the costs associated with these merchant transmission upgrades should be directly assigned to CSC.

20. When we accepted NEPOOL's original OATT proposal in 1998, we recognized that there could be circumstances necessitating region-by-region deviations from the Commission's *pro forma* tariff.<sup>14</sup> In New England Power Pool,<sup>15</sup> the Commission acknowledged that NEPOOL's intention in its treatment of interconnection-related network upgrades was to encourage efficient siting of generation, and we emphasized that NEPOOL's Congestion Management System (CMS) proposal and its generation interconnection cost allocation proposal must "dovetail."

21. To that end, we issued a series of later orders accepting the evolving CMS proposal partnered with NEPOOL's proposal for direct assignment of interconnection costs.<sup>16</sup> We also accepted through this series of orders the different categories of generator interconnections (Category A, B, or C) for cost allocation purposes. We agreed with NEPOOL that Category A and B projects had already entered into binding

---

<sup>14</sup> New England Power Pool, 83 FERC ¶ 61,045 at 61,230 (1998).

<sup>15</sup> 85 FERC ¶ 61,141 at 61,553 (1998).

<sup>16</sup> See New England Power Pool, 88 FERC ¶ 61,147 at 61,490 (1999), where we considered new generators to interconnect under a minimum threshold requirement that does not require an upgrade in capacity; New England Power Pool, 91 FERC ¶ 61,227 at 61,830 (2000), where we guided the ISO to give generation an incentive to locate in appropriate areas as part of its congestion management plan; ISO New England, Inc., 91 FERC ¶ 61,311 (2000), order on reh'g, 95 FERC ¶ 61,384 (2001), order on compliance, 98 FERC ¶ 61,173 (2002), where we accepted NEPOOL's generator interconnection cost assignment proposal.

commitments before NEPOOL had finalized its congestion management proposal. Therefore, we agreed that we would not apply a new allocation method to existing contracts that already included binding commitments, and we permitted a 50/50 cost sharing for Categories A and B projects.<sup>17</sup> We also accepted NEPOOL's cost allocation for Category C generators:

We find that it is reasonable here for 100 percent of costs associated with direct interconnection and related upgrades required to meet MIS [Minimum Interconnection Standards] to be assigned to all interconnecting generators, except Category A and B generators. As revised, the direct assignment of any upgrade costs that may be associated with minimum expansion needed to maintain system reliability (MIS) is but one part of a congestion management expansion proposal that fell only 2 percent short of the required votes. We believe that allocation to the interconnection customer of 100 percent of the MIS costs (which are by definition limited to the costs that would not have been incurred but for the interconnection) is a reasonable element of this congestion management/expansion proposal.<sup>18</sup>

22. Contrary to CSC's assertions, this direct assignment policy applied to the CSC interconnection was not a "departure" from long-standing Commission policy on network upgrade costs, but rather, a result of many years of participant development and consideration of congestion management in the NEPOOL region.<sup>19</sup> The Commission could not lawfully abrogate that rate without instituting an FPA section 206 proceeding.

23. Moreover, CSC agreed to assume full cost responsibility when it sought Commission acceptance of its proposed merchant transmission facilities.<sup>20</sup> Prior to the

---

<sup>17</sup> ISO New England, Inc., 91 FERC ¶ 61,311 at 62,079 (2000).

<sup>18</sup> *Id.* at 62,077-62,080.

<sup>19</sup> See Florida Power & Light Company, 99 FERC ¶ 61,138 at 62,362 (2002), Boston Edison Company, 98 FERC ¶ 61,200 at 61,696 (2002).

<sup>20</sup> Initial proceedings under Docket No. ER03-31-000, IA at section 3 and CSC protest at 4.



Initial Order, CSC itself contemplated that it would be responsible for the costs of the upgrades. In the initial proceeding, CSC did not challenge its cost responsibility for facilities that would not have been constructed but for its interconnection. CSC simply questioned the methodology for calculating the interconnection costs.

24. This was consistent with Commission policy at that time. The policy of direct cost assignment of network upgrades was outlined in ISO New England, Inc.<sup>21</sup> We have historically permitted this direct cost assignment of network upgrades in the New England region as part of NEPOOL's congestion management system and transition into an ISO.<sup>22</sup>

#### **4. Discriminatory Treatment**

##### **a. Argument**

25. CSC asserts that the NEPOOL Tariff is facially discriminatory because it treats merchant transmission interconnections differently from generator interconnections. CSC observes that in the October 22 Order, the Commission found that under Schedules 11 (governing generator interconnections) and 12 (governing merchant transmission interconnections) in the NEPOOL Tariff, the CSC is a Category C interconnection, which is:

obligated to pay all of the costs of [Generator Interconnection Related] Upgrades, including all Direct Interconnection Transmission Costs and any applicable tax gross-up amounts, to the extent such costs would not have been incurred but for the interconnection; *provided that, if the System Operator determines that a particular Generator Interconnection Related Upgrade provides benefits to the system as a whole as well as to particular parties, then the cost of such Upgrade*

---

<sup>21</sup> 91 FERC ¶ 61,311 (2000), order on reh'g, 95 FERC ¶ 61,384 (2001) (NEPOOL Order).

<sup>22</sup> Id. See also Florida Power & Light Company, 99 FERC ¶ 61,318 at 62,362 (2002), where the Commission clarified that the NEPOOL footprint is subject to regionally-specific cost allocation principles.

*shall be allocated in the same way as Reliability Upgrades (emphasis added).*<sup>23</sup>

26. CSC points out that the Commission required NEPOOL to develop objective non-discriminatory guidelines to assign costs of various upgrades, to the extent they can be identified regardless of how the upgrade is classified.<sup>24</sup> CSC states that in response to the Commission's directives in these orders, NEPOOL added the italicized language in Schedule 11, applicable to merchant generator interconnections in a July 13, 2001 compliance filing.<sup>25</sup> At the same time, however, CSC asserts that NEPOOL also included in this same compliance filing changes to Schedule 12 (governing merchant transmission) barring merchant transmission interconnections from consideration as upgrades providing benefits to the system as a whole, thereby barring merchant transmission upgrades from system-wide cost sharing:

All costs associated with Upgrades for the interconnection of Merchant Transmission Facilities shall be treated in the same fashion and subject to the same rights and obligations as Generator Interconnection Related Upgrade Costs for Category C Projects under Schedule 11 of this Tariff, including the provisions of section (5), (6) and (7) of that Schedule, *but excluding the provisional clause at the end of the first sentence in section (5) of Schedule 11.*<sup>26</sup>

27. CSC argues that this italicized provision restricts any network upgrades that CSC constructs and that provide system-wide benefits from being treated as Reliability Upgrades. CSC states that prior to this filing, the NEPOOL Tariff treated merchant transmission and merchant generation fundamentally the same. CSC argues that NEPOOL has deliberately discriminated against merchant transmission through this

---

<sup>23</sup> NEPOOL Tariff, Schedule 11, section 5.

<sup>24</sup> CSC cites ISO New England, Inc., 91 FERC ¶61,311 (2000), order on reh'g, 95 FERC ¶61,384 (2001).

<sup>25</sup> New England Power Pool Report of Compliance, Docket No. EL00-62 et al., Accepted by Commission Order in ISO New England, Inc., 98 FERC ¶ 61,173 (2002), Attachment 4 at Schedule 12, section 1.

<sup>26</sup> Id. Compliance filing, Attachment 4 at Schedule 12, section 1.

modification of Schedule 12.

**b. Commission Decision**

28. The tariff on file treats generator and transmission customers differently. If CSC wants to challenge the tariff, it must file a complaint. It cannot challenge the lawfulness of the filed rate except through a section 206 complaint.

**5. Filed Rate Doctrine/Retroactive Ratemaking**

**a. Argument**

29. CSC argues that the Commission cannot apply the filed rate doctrine to support its conclusion in the October 22 Order that the NEPOOL Tariff provisions (the filed rate) require that the subject costs be directly assigned to CSC. Although CSC concedes that the filed rate doctrine prohibits a utility from charging rates other than those properly filed with the Commission, this doctrine does not rule out giving effect to one filed rate (the IA) where some of its terms might differ from a previously filed rate (the NEPOOL Tariff).

30. CSC claims that, similarly, acceptance of the IA would not contradict the rule against retroactive ratemaking, as doing so would affect no rates prior to the date of UI's filing of the IA. CSC contends that even if the rule were applicable here, courts have identified the two exceptions to the rule: "(1) when parties have notice that a rate is tentative and may later be adjusted with retroactive effect, or (2) when they have agreed to make a rate effective retroactively."<sup>27</sup>

**b. Commission Decision**

31. CSC's argument on this issue is without merit. In the Initial Order, the Commission should have applied Schedule 11 of the NEPOOL Tariff, as that was the governing provision on file. Instead, because there was ambiguity as to whether facilities

---

<sup>27</sup> Citing Consolidated Edison Company of New York, Inc. v. FERC, No. 01-1503, slip op. at 8 (D.C. Cir. Nov. 7, 2003) (citation omitted).

were Pool Transmission Facilities, and because no party pointed out that the NEPOOL tariff required otherwise, the Commission determined that the facilities were network upgrades and their costs should not be directly assigned to CSC.<sup>28</sup>

32. The Commission, in its October 22 Order, remedied its violation of the filed rate doctrine in the Initial Order.<sup>29</sup> NEPOOL had existing rates on file in the governing tariff. The Commission erred in its Initial Order in not applying NEPOOL's existing rates. Similarly, CSC is mistaken in its claim that applying the Commission's erroneous Initial Order to the IA will not contradict the filed rate doctrine. Amending the IA to reflect "rolled-in treatment" would contradict the NEPOOL Tariff filed rates.

### **C. Compliance**

#### **1. UI's Compliance**

33. The October 22 Order directed UI to file a revised IA reflecting the direct assignment of costs in accordance with the NEPOOL Tariff, while continuing hearing proceedings on the issues surrounding the AFC.

34. In its compliance filing to the October 22 Order, UI amends section 6.1 of the IA to provide that:

... the Interconnection Costs, the Annual Facilities Charge, and any other costs incurred by the Company to be paid by CSC pursuant to this Agreement, all of which costs would not have been incurred "but for" the interconnection of the CSC Facilities, shall be directly assigned to and paid by CSC.

35. UI's compliance filing also included Commission-approved confidentiality language in section 8.4 of the agreement, pursuant to the Initial Order.

#### **2. Comments**

---

<sup>28</sup> Section 3.3 of the IA indicates that a PTF determination is pending.

<sup>29</sup> *United Gas Improvement Co. v. Callery Properties, Inc.*, 382 U.S. 223, 229-30 (1965); "An agency, like a court, can undo what is wrongfully done by virtue of its order."

36. CSC argues in its protest that the Commission should reject the compliance filing because it is inextricably tied to proceedings in the rehearing that will alter the outcome of the compliance. In particular, CSC argues that if the Commission grants CSC's rehearing, the compliance would not reflect the parties' agreement. CSC argues that if the Commission denies rehearing, the denial would be a "regulatory change" under the contract. CSC clarifies that section 2.3 of IA requires the parties to negotiate in good faith to modify the bargain in the event of a regulatory change, since the instant filing would not reflect the parties' agreement. CSC states that the Commission should act on its request for rehearing before acting on the compliance filing.

37. CSC also contends that the compliance filing includes language on the AFC that contradicts the Commission's setting this matter for hearing and should be rejected. Specifically, CSC states that section 6.1 of the revised IA provides that "the Annual Facilities Charge... shall be directly assigned to and paid by CSC." CSC states that issues surrounding the AFC continue to be the subject of the hearing proceedings per the Commission's October 22 Order, and that section 6.1 should be omitted until the conclusion of the hearing proceedings.

### **3. UI's Answer**

38. UI points out that section 3.3 of the IA provides that CSC is responsible for the total actual and documented interconnection costs as a matter of default:

CSC shall pay the Company the total actual and documented Interconnection Costs for constructing the Interconnection Facilities in accordance with Article 6 [Billing and Payment].  
If the Interconnection Facilities are classified as PTF and NEPOOL determines that the cost of those Interconnection Facilities may be included in the Regional Network Service rate, the Company shall have the right and obligation to reimburse CSC for the Interconnection Costs to the extent that the Company recovers the Interconnection Costs under the Regional Network Service rate. If the Company does not recover all or a portion of the Annual Facilities Charge under some other tariff or agreement, CSC shall pay the Company the total actual and documented Annual Facilities Charge or the portion thereof not otherwise recovered by the Company.

39. UI states that CSC is obligated to pay UI the full cost of, and is not entitled to reimbursement for, the interconnection costs. UI states that the language of the IA obligated CSC to pay for the interconnection costs consistent with the NEPOOL Tariff. UI states that at the time the IA was negotiated and executed, Schedules 11 and 12 of the NEPOOL Tariff specified how merchant transmission interconnection upgrades would be treated; the merchant transmission owner shall be obligated to pay all of the interconnection upgrade costs that would not have been incurred but for the interconnection.

#### **4. Commission Decision**

40. CSC's request for rejection is moot in light of the above rehearing discussion in this order. We agree with UI that this compliance filing does not constitute a regulatory change as provided for in section 6.1 of the IA. CSC had been prepared from the beginning to cover the cost of interconnection, as illustrated in the rehearing section of this order.

41. However, in our Initial Order, we set for hearing issues surrounding the AFC. We further found that section 3.3 of the IA could result in an unreasonable recovery of costs or conflict with the NEPOOL Tariff, depending on the ultimate determination of NEPOOL PTF facilities, and set section 3.3 for hearing as well.

42. Since the Initial Order, these facilities have been found to be PTF facilities ineligible for consideration as Reliability Upgrades.<sup>30</sup> Hence, UI is directed to eliminate the ambiguity in section 3.3 of the IA to clarify that the NEPOOL classification is no longer pending. Because the components used in the calculation of the AFC continue to be subject to the settlement/hearing proceeding, we find UI's answer to be consistent with the issues in that proceeding, and direct UI to make a compliance filing reflecting the results of that proceeding within 30 days of its conclusion.

#### **The Commission orders:**

(A) CSC's request for rehearing is granted in part and denied in part as discussed in the body of this order.

---

<sup>30</sup> With UI's request for clarification, UI included documentation from NEPOOL dated May 20, 2002, one letter from Robert T. Gagliardi, Director, Strategic Policy, to Paul B. Shortly, Chair, NEPOOL Reliability Committee, classifying the facilities as PTF.

(B) UI's compliance filing is accepted for filing, subject to revision, as discussed above.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.